

Message Text

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SUBJECT: COPAS'S APPRAISAL OF THE 1976 DAIRY MARKET SITUATION

REF: (A) EC BRUSSELS 2711,(B) EC A-202

1. SUMMARY: A COPA PAPER APPRAISING THE 1976 EC DAIRY SITUATION FORECASTS A SLIGHT INCREASE IN NFDN STOCKS DESPITE THE NEW EC DISPOSAL PROGRAMS. BUTTER STOCKS ARE EXPECTED TO INCREASE SUBSTANTIALY -- BY ALMOST 200,000 TONS. INCREASES IN 1976 EC MILK PRODUCTION AND DELIVERIES OF 2 AND 2.6 PERCENT, RESPECTIVELY, ARE PREDICTED, END SUMMARY.

2. AT THE MAY 19-21 MEETING OF THE US CHAMBER OF COMMERCE AND THE EC'S COMMITTEE OF PROFESSIONAL FARMER ORGANIZATIONS (COPA), WE OBTAINED A BRIEF PAPER GIVING COPA'S APPRAISAL OF THE 1976 MARKET SITUATION IN THE EC DAIRY SECTOR. THE PAPER, WHICH IS DATED APRIL 22, 1976, CONTAINS BALANCE SHEETS OF NFDN AND BUTTER AS WELL AS ESTIMATES OF 1976 MILK PRODUCTION, DELIVERIES, ETC. HIGHLIGHTS OF THE COPA APPRAISAL ARE SHOWN BELOW; THE PAPER ITSELF IS BEING TRANSMITTED BY AIRGRAM.

3. THE COPA BALANCE SHEET FOR NFDN FOR 1975 AND 1976 IS SHOWN UNCLASSIFIED

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BELOW. WHILE SEVERAL OF COPA'S 1976 FIGURES ARE SUBSTANTIALY

DIFFERENT FROM THOSE CONTAINED IN THE BALANCE SHEET DEVELOPED
BY THE MISSION IN MID-MARCH (REF.A),THE CONCLUSION IS THE SAME--
DESPITE THE INTRODUCTION OF NEW EC DISPOSAL PROGRAMS,EC
NCDM STOCKS WILL NOT DECLINE IN 1976

1975 1976
(1,000 M.T.)

BEGINNING STOCKS (INTERVENTION
AND PRIVATE),

JANUARY 1	580	1,050
PRODUCTION	1,900	1,980
TOTAL AVAILABLE	2,500	3,030
CONSUMPTION	1,300	1,530
--AT MARKET PRICES	250	250
--IN ANIMAL FEEDS	1,050	1,280 A/
EXPORTS	150	400
-- FOOD AID	80	150
-- COMMERCIAL	70	250

CLOSING STOCKS,DECEMBER 31 1,050 1,100

A/ 880,000 TONS IN CALF FEED AND 400,000 TONS IN OTHER FEEDS
VIA THE COMPULSORY PURCHASE SCHEME.

TWO ASPECTS OF THE COPA BALANCE SHEET ARE ESPECIALLY STRIKING:

A. DESPITE THE EC'S ADOPTION OF A 60 PERCENT MINIMUM INCORPO-
RATION REQUIREMENT FOR NFDM NENEFITTING FROM THE SUBSIDY FOR
FEEDING TO CLAVES (REF B), A DECLINE IN NFDM USED FOR THIS PURPOSE
IS EXPECTED (FROM 1,050,000 TO 880,000 TONS). THE COMMISSION HAS
IN CONTRAST FORECAST UTILIZATION OF AN ADDITIONAL 200,000 TONS
RESULTING FROM THE MINIMUM INCORPORATION REQUIREMENT.

B. A VERY SHARP UPSWING IN COMMERCIAL EXPORTS FROM 50,000 TO
250,000 TONS IS FORECAST BY COPA.

4. THE COPA PAPER ALSO FORECASTS A RISE IN EC BUTTER STOCKS
(INTERVENTION AND PRIVATE) FROM 247,000 (JANUARY 1) TO 432,000
TONS AT THE END OF DECEMBER 1976. BUTTER PRODUCTION IS EXPECTED
TO INCREASE BY ABOUT 100,000 TONS WHILE A SMALL DECLINE IN EC
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CONSUMPTION IS EXPECTED.COMMERCIAL EXPORTS ARE EXPECTED TO
INCREASE FROM 25,000 TO 75,000 TONS.

5. THE PAPER ALSO PREDICTS A 2 PERCENT INCREASE IN EC MILK
PRODUCTION IN 1976 AND A 2.6 PERCENT INCREASE IN MILK DELIVERIES;
1976 CHEESE PRODUCTION IS FORECAST AT LESS THAN 1 PERCENT ABOVE
THE 1975 LEVEL. MILK DELIVERIES INTHE FIRST QUARTER OF 1976
ARE REPORTED TO HAVE BEEN 6-10 PERCENT HIGHER IN MOST MEMBER

STATES THAN IN THE SAME QUARTER OF 1975.

6. THE PAPER STATES THAT A NUMBER OF MEMBER STATE DELEGATIONS
(UK,GERMANY,AND IRELAND) FELT THAT ENDING STOCKS OF BUTTER AND
NFDN WOULD BE HIGHER THAN ESTIMATED BY COPA.
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